

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00
CIAE-00 PM-05 H-01 INR-07 L-03 NSAE-00 PA-01
PRS-01 SP-02 SS-15 OPIC-03 AID-05 OMB-01 TRSE-00
/057 W

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O R 171824Z JAN 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 4412
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO POUCH
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION USNATO
DIA WASHDC
USCINCEUR VAIHINGEN GER
USNMR SHAPE BRUSSELS BEL
COMUSFORAZ

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 0431

E.O. 11652: XGDS-3
TAGS: PGOV PINT PO
SUBJECT: PS SEEKS NATIONAL COMMITTEE APPROVAL FOR PS/CDS
ACCORD

REF: LISBON 373 (DTG 161611Z JAN 78)

SUMMARY: PS AND CDS LEADERS JAIME GAMA AND BASILIO HORTA
CONFIRMED JAN 17 THAT THE PS AND CDS ARE THE ONLY REAL
ACTORS IN GOVERNMENTAL NEGOTIATIONS. GAMA EXPECTS MARIO
SOARES TO GAIN NATIONAL COMMITTEE APPROVAL LATE JAN 17 FOR
THE PS/CDS ACCORDS ON POLITICAL COMMITMENTS, A MEDIUM-TERM
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ECONOMIC PLAN AND AN ECONOMIC STABILIZATION PLAN. GAMA
AND HORTA EXPECT AN AGREEMENT BY JAN 18 PERMITTING THE
FORMATION OF A NEW GOVERNMENT. END SUMMARY.

1. PS SEEKS NATIONAL COMMITTEE APPROVAL: CHIEF PS
NEGOTIATOR JAIME GAMA TOLD EMBOFF JAN 17 THAT THE
SOCIALISTS WOULD SEEK THE APPROVAL OF THEIR NATIONAL

COMMITTEE LATE JAN 17 TO FORM A PS-PLUS-PERSONALITIES GOVERNMENT BASED ON A SINGLE ACCORD WITH THE CDS. THE PS SECRETARIAT APPROVED THE PS/CDS ARRANGEMENT BY A TEN-TO-THREE VOTE OVER THE WEEKEND. GAMA SAID THE NATIONAL COMMITTEE DEBATE WILL BE HEATED, BUT EXPECTED MARIO SOARES'S MOTION TO PASS. THE PCP HAD REJECTED A PROPOSED PS AGREEMENT, AND GAMA WAS CONVINCED THE PCP NEVER WANTED TO REACH AGREEMENT ONCE THE PS REFUSED TO PLACE AN INDEPENDENT LINKED TO THE PCP IN THE GOVERNMENT. THE COMMUNISTS NOW PREFER TO REAP THE BENEFITS OF OPPOSING A PS/CDS GOVERNMENT; JAN 17 AND 18 PS/PCP NEGOTIATIONS ARE JUST FOR SHOW. GAMA SAID THE COMMUNISTS WANT TO GAIN A SHARE OF POWER LATER AFTER A PERIOD OF OPPOSITION. THE SOCIALISTS ARE CONCERNED THAT THEY WILL LOSE CONSIDERABLE SUPPORT ON THEIR LEFT AND BELIEVE THAT THE PS/CDS GOVERNMENT MUST LAST UNTIL 1980 FOR THE SOCIALISTS TO BENEFIT.

2. SOARES REPORT TO EANES: FOLLOWING THE NATIONAL COMMITTEE DECISION MARIO SOARES WILL REPORT JAN 18 TO PRESIDENT ON THE RESULTS OF HIS NEGOTIATIONS. THE PS IS COUNTING HEAVILY ON ADDITIONAL IMF FLEXIBILITY IN NEGOTIATING WITH A PS/CDS MAJORITY GOVERNMENT. GAMA SAID THAT IF THE IMF DOES NOT EASE ITS CONDITIONS, PORTUGAL COULD IN TWO YEARS HAVE A POSITIVE BALANCE OF PAYMENTS AND A VERY STRONG COMMUNIST PARTY.
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3. CDS EXUBERANT: CDS SECRETARY-GENERAL BASILIO HORTA TOLD EMBOFF JAN 17 THAT THE CDS WAS NOT CONFIDENT THAT ITS AGREEMENT WITH THE PS WOULD GO FORWARD. HORTA NOTED THAT OPPOSITION ON THE RIGHT TO THE PS/CDS AGREEMENT HAD DIMINISHED ONCE THE PCP DROPPED OUT OF NEGOTIATIONS AND THE PSD INDICATED ITS INTEREST IN JOINING THE GOVERNMENT. HORTA DESCRIBED A TRAP SET FOR THE PSD OVER THE WEEKEND WHEREBY SOARES TOLD SOUSA FRANCO THAT A SOUSA FRANCO/SA CARNEIRO OPENING OF NEGOTIATIONS WITH THE PS WOULD PUT THE PS IN A DIFFICULT POSITION (REFTEL). WHEN THE PSD LEAPED AT THE PRETENDED WEAKNESS, MARIO SOARES IN A JAN 16 MEETING WITH SOUSA FRANCO AND JAIME GAMA IN A PUBLIC STATEMENT SLAMMED THE DOOR ON THE PSD. SOARES AND GAMA SAID IT WAS TOO LATE TO CONSIDER PSD INCLUSION IN THE GOVERNMENT. MEANWHILE SOUSA FRANCO'S STATEMENT OF PSD INTEREST IN JOINING THE GOVERNMENT HAD DAMAGED THE CREDIBILITY OF PSD OPPOSITION TO A PS/CDS GOVERNMENT. EVEN RIGHT WING "O DIA" PRAISED THE PROSPECT OF A PS/CDS AGREEMENT IN A JAN 17 EDITORIAL.

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4. THE SHAPE OF GOVERNMENT: HORTA WAS ALSO
OPTIMISTIC ABOUT CDS INFLUENCE IN THE GOVERNMENT.
FREITAS DO AMARAL HAD BEEN ASKED TO
MEET WITH PRESIDENT EANES JAN 17 TO DISCUSS THE
STRUCTURE OF GOVERNMENT, AND HORTA COUNTED HEAVILY
ON THE CLOSE RELATIONSHIP BETWEEN EANES AND AMARAL.
THE PS/CDS AGREEMENT IS SET FOR SIGNATURES BY THE
TWO PARTIES ONCE THE PS NATIONAL COMMITTEE APPROVES.
THE AGREEMENT IS COMPOSED OF A POLITICAL ACCORD AND
A MEDIUM-TERM ECONOMIC PLAN DRAFTED PRINCIPALLY BY THE CDS AND
BY A PLAN FOR ECONOMIC STABILIZATION DRAFTED PRINCIPALLY BY
PS ECONOMIST VITOR CONSTANCIO. HORTA SAID THE CDS WOULD RECEIVE
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THREE MINISTERIAL POSITIONS AND FIVE STATE SECRETARIATS.
SINCE THERE WILL BE NO SIDE AGREEMENT WITH THE PCP,
AMARO DA COSTA MAY NOT GET A MINIISTERIAL POSITION
(GAMA SAID THAT FOURTH-RANKING CDS LEADER VITOR SA
MACHADO WAS THE FRONT-RUNNING CANDIDATE FOR FOREIGN
MINISTER).

5. COMMENT: THE PS AND CDS ARE NOW THE ONLY REAL
ACTORS IN GOVERNMENTAL NEGOTIATIONS. THE LEADERSHIP
OF BOTH PARTIES IS SATISFIED WITH THE SHAPE OF THE
PROPOSED AGREEMENT; ONLY THE ENDORSEMENT OF THE PS
NATIONAL COMMITTEE IS REQUIRED TO MOVE FORWARD.
GAMA AND HORTA EXPECT AN AGREEMENT BY JAN 18 PERMITTING THE
FORMATION OF A NEW GOVERNMENT.
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